

# Foreign Direct Investment in the United States in 1981

**I**N 1981, the foreign direct investment position in the United States increased a record 81 percent, to \$89.8 billion, continuing the pattern of rapid growth in the position that began in 1978. The 1981 increase reflected especially large equity and intercompany account inflows, particularly to finance the acquisition of new U.S. affiliates.

Other highlights of foreign direct investment in the United States in 1981 are:

- Among countries, parents in Japan, France, and Kuwait had especially sharp increases in position. Among industries, the position in petroleum and "other industries" increased most sharply.
- Capital inflows increased \$7.6 billion, to \$21.3 billion. The increase consisted of a \$9.7 billion increase in equity and intercompany account inflows, partly offset by a \$2.1 billion decline in reinvested earnings.
- Direct investment income declined \$1.7 billion, to \$7.8 billion. The decline, which was centered in manufacturing and insurance, was more than accounted for by a shift from capital gains in 1980 to capital losses in 1981.

Key definitions and country and industry classification methods are described in the accompanying box.

**NOTE.**—The quarterly survey from which these annual estimates were derived was conducted under the supervision of James L. Bornkamp, Chief, Direct Investment in the United States Branch. Project leader Gregory G. Fouch prepared the estimates. Marie C. Gott edited and processed the forms. Ronald Reed designed the computer programs for data retrieval and analysis.

A U.S. affiliate is a U.S. business enterprise in which one foreign person owns, directly or indirectly, 10 percent or more of the voting securities or the equivalent.

In this article, the basis for classifying data by country is the same as that for direct investment items in the U.S. international transactions accounts, because the data in this article are either derived from, or enter into, those accounts. A U.S. affiliate's position and transactions with its foreign parent—i.e., the first foreign person in the affiliate's ownership chain—are classified in the country of the foreign parent. Furthermore, if the U.S. affiliate has positions and transactions with a foreign affiliate of its foreign parent, and the foreign affiliate is in a different country from the foreign parent, such positions and transactions are classified in the country of the foreign affiliate. To simplify terminology, in this article, the term "foreign parent" is used broadly to include foreign affiliates of foreign parents as well as the foreign parents themselves.

The country of the foreign parent may differ from that of the ultimate beneficial owner (UBO) of the U.S. affiliate. The UBO is that person in the U.S. affiliate's ownership chain, beginning with the foreign parent, that is not owned more than 50 percent by another person. In most cases, the country of the foreign parent is the same as that of the UBO. However, affiliates whose foreign parents are in the Netherlands Antilles, Panama, Bermuda, and, to a lesser degree, the Netherlands, often have UBO's in other countries.

Affiliates report on a consolidated basis; the consolidation for a given affiliate includes all other U.S. affiliates owned more than 50 percent by that affiliate. The report of a consolidated affiliate may cover operations in more than one industry. When this is the case, the affiliate is classified in the single industry that accounts for the largest portion of its sales. Thus, the industry classification of an affiliate is not necessarily indicative of the full range of its activities.

## Foreign Direct Investment Position in the United States

At yearend 1981, the foreign direct investment position in the United States was \$89.8 billion (table 1). The position is the book value of foreign direct investors' equity in, and net outstanding loans to, their U.S. affiliates. The position should be distinguished from the total assets of the affiliates, which are the sum of total owner's equity held by, and total liabilities owed to, both foreign parents and all other persons. Thus, affiliates' assets may be significantly larger than the direct investment position.

By area of foreign parent, parents in Europe accounted for by far the largest share—64 percent—of the direct investment position (table 2). Parents in Canada and Japan accounted for 14 and 8 percent, respectively. The remaining 14 percent was accounted for by parents in "other countries." Within Europe, 62 percent of the position was attributable to parents in the Netherlands and the United Kingdom. In "other countries," the position was largely attributable to parents in Latin America, particularly the Netherlands Antilles, and in the Middle East, particularly Kuwait.

By industry of affiliate, 33 percent of the position was in manufacturing, 21 percent in "other industries," 20 percent each in petroleum and trade, and 7 percent in insurance. In manufacturing, 29 percent was in chemicals, 25 percent in "other manufacturing," and about 16 percent each in food, metals, and machinery. In "other industries," 40 percent was in finance, 24 percent in real estate, and 36 percent in all other industries.<sup>1</sup>

<sup>1</sup> The position may be smaller relative to total assets in real estate than in other industries because a larger portion of the assets of real estate affiliates are financed by borrowing from unaffiliated U.S. persons.

Table 1.—Foreign Direct Investment Position in the United States, 1980-81

(Millions of dollars)

	Position, year-end 1979	Addition in 1980					Position, year-end 1980	Addition in 1981					Position, year-end 1981
		Total	Capital inflows			Valuation adjust- ments		Total	Capital inflows			Valuation adjust- ments	
			Total	Equity and inter- company account inflows (-)	Rein- vested earnings of incorporated affiliates				Total	Equity and inter- company account inflows (-)	Rein- vested earnings of incorporated affiliates		
All areas	54,462	13,888	13,888	7,508	6,167	223	68,351	21,805	21,381	17,301	4,999	197	89,759
Petroleum	9,396	2,457	2,456	-275	2,732	1	12,353	5,450	5,448	3,960	2,888	2	17,818
Manufacturing	20,876	4,283	4,276	2,825	1,449	6	25,159	4,374	4,293	4,247	-54	81	29,588
Trade	11,682	2,785	2,726	1,758	966	9	14,298	3,428	3,428	2,388	1,040	19	17,784
Insurance	4,148	1,215	1,215	771	447	(*)	5,365	631	628	278	258	2	5,993
Other	7,971	2,197	2,993	2,419	573	204	11,185	7,615	7,603	7,128	475	12	18,788
Canada	7,154	2,919	2,911	1,346	1,566	188	10,074	2,138	1,858	1,693	83	482	12,212
Petroleum	948	880	880	350	118	0	1,305	239	239	182	56	0	1,547
Manufacturing	3,615	1,084	1,083	278	1,305	1	5,199	686	681	678	-57	7	5,787
Trade	911	280	170	115	65	59	1,341	144	144	35	49	(*)	1,285
Insurance	278	178	178	175	-2	0	452	-50	-50	-36	6	0	482
Other	1,405	586	620	431	89	40	1,913	742	742	696	47	476	3,191
Europe	37,408	8,328	8,283	4,898	3,271	67	45,731	11,373	12,443	9,829	2,678	-438	57,705
Petroleum	8,010	1,767	1,771	-454	2,255	-14	9,788	4,355	4,355	3,960	1,395	0	14,083
Manufacturing	13,888	3,112	3,105	2,098	1,111	7	15,004	2,932	2,931	3,043	-113	21	18,016
Trade	7,838	1,474	1,625	1,129	496	-52	9,312	1,331	1,323	947	476	5	10,648
Insurance	3,449	888	888	492	396	6	4,387	442	442	258	182	2	4,749
Other	4,154	2,129	2,082	1,068	594	126	6,282	2,624	2,655	2,519	885	-461	8,975
Japan	3,493	732	732	92	639	(*)	4,225	2,852	2,852	1,958	675	(*)	6,887
Petroleum	160	-102	-102	(*)	(*)	0	58	-51	-51	-58	-9	2	1
Manufacturing	696	141	142	132	9	(*)	837	274	273	291	-18	(*)	1,111
Trade	1,767	540	540	-5	545	(*)	2,307	1,321	1,318	1,238	588	(*)	4,125
Insurance	61	80	80	(*)	(*)	(*)	142	75	75	71	(*)	(*)	217
Other	805	73	78	-3	76	(*)	351	543	547	(*)	(*)	-4	1,425
Other	5,412	1,588	1,583	921	591	67	6,222	4,634	4,579	4,092	487	66	12,355
Petroleum	793	438	438	(*)	(*)	15	1,230	405	405	375	225	0	1,807
Manufacturing	2,612	448	448	325	121	(*)	3,059	550	548	585	173	62	3,619
Trade	1,045	431	431	539	-41	2	1,536	148	143	219	-68	0	1,679
Insurance	358	106	105	(*)	(*)	0	465	68	63	(*)	(*)	0	523
Other	1,603	429	388	323	76	36	2,391	3,461	3,459	(*)	(*)	3	5,892

\*Less than \$500,000 (±).

\*Suppressed to avoid disclosure of data of individual companies.

Incorporated affiliates accounted for 95 percent, and unincorporated affiliates for 5 percent, of the position. Most of the position in incorporated affiliates was equity (capital stock and retained earnings) rather than debt (intercompany accounts) (table 3). Investment in unincorporated affiliates is shown as a single summary account that represents the parents' total claims, both equity and debt, on affiliates' net assets.

### 1981 Addition

The position increased \$21.4 billion, or 31 percent, in 1981. The addition to the position consisted of capital inflows of \$21.3 billion and valuation adjustments of \$0.1 billion. Although, in total, valuation adjustments were small, they included two sizable, but offsetting, adjustments (see footnote 5).

By area of foreign parent, 56 percent of the addition was accounted for by parents in Europe, 22 percent by parents in "other countries," 12 percent by parents in Japan, and 10 per-

Table 2.—Composition of Foreign Direct Investment in the United States  
(Percent)

	1980		1981	
	Position, year-end	Addi- tion to posi- tion	Position, year-end	Addi- tion to posi- tion
Total	100	100	100	100
By component:				
Capital inflows	n.a.	98	n.a.	99
Equity and intercompany account inflows	n.a.	94	n.a.	90
Reinvested earnings of incorporated affiliates	n.a.	44	n.a.	19
Valuation adjustments	n.a.	2	n.a.	1
By type of affiliate and account:				
Incorporated	94	98	95	97
Capital stock and retained earnings <sup>1</sup>	77	87	74	85
Intercompany accounts	17	6	20	31
Unincorporated	6	7	5	3
By area:				
Canada	16	21	14	10
Europe	87	68	64	56
Of which:				
France	4	5	7	18
Germany	8	-2	8	8
Netherlands	25	31	22	16
Switzerland	6	3	5	2
United Kingdom	19	12	17	15
Japan	6	6	8	12
Other	12	14	14	22
Of which: Netherlands Antilles <sup>2</sup>	7	8	7	5
By industry:				
Petroleum	16	18	20	35
Manufacturing	37	31	33	20
Trade	21	20	20	16
Insurance	6	9	7	2
Other	16	23	21	85
Memorandum:				
OPEC <sup>3</sup>	1	2	4	13

n.a. Not applicable.

<sup>1</sup> Capital stock includes additional paid-in capital and valuation adjustments to the position.<sup>2</sup> Part of "other Western Hemisphere." Position of Netherlands Antilles at year-end 1981 was \$5,993 million.<sup>3</sup> Members of the Organization of Petroleum Exporting Countries (OPEC) are: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Venezuela, and United Arab Emirates.

Table 3.—Foreign Direct Investment Position in the United States, by Type of Affiliate and Account, 1980-81

(Millions of dollars)

	Year-end 1980					Year-end 1981				
	Total	Incorporated affiliates			Unincorporated affiliates	Total	Incorporated affiliates			Unincorporated affiliates
		Total	Capital stock and retained earnings <sup>1</sup>	Intercompany accounts			Total	Capital stock and retained earnings <sup>1</sup>	Intercompany accounts	
Total	56,351	54,167	52,537	11,549	4,154	59,759	54,852	55,541	10,351	4,967
By area:										
Canada	10,974	9,889	7,455	1,954	685	12,212	11,483	9,406	2,877	729
Europe	46,731	45,291	38,275	7,115	2,340	57,705	55,088	44,536	10,498	2,617
Japan	4,225	4,096	4,061	15	129	6,887	6,692	5,442	1,210	235
Other	5,322	7,291	4,785	2,555	1,039	12,955	11,669	7,998	4,272	1,285
By industry:										
Petroleum	12,365	12,254	11,320	834	109	17,913	17,603	15,587	2,035	209
Manufacturing	25,159	25,065	20,217	4,848	94	29,533	29,487	23,397	6,079	96
Trade	14,296	14,145	8,825	5,320	152	17,734	17,601	11,034	6,567	134
Insurance	5,265	3,449	3,201	241	1,024	6,896	3,977	3,693	284	1,019
Other	11,165	9,261	5,944	897	1,065	18,753	16,274	12,859	3,855	2,558

<sup>1</sup> Includes additional paid-in capital and valuation adjustments to the position.

cent by parents in Canada. The position of parents in Japan and "other countries" increased fastest—63 and 56 percent, respectively. In the latter, the increase for parents in Kuwait was particularly sharp. The position of European parents increased 26 percent. Among the parents that accounted for most of the addition—i.e., those in the United Kingdom, the Netherlands, France, and Germany—by far the sharpest increase was for parents in France.

By industry of affiliate, 36 percent of the addition was in "other industries," 25 percent in petroleum, and 20 percent in manufacturing. The position in "other industries" and in petroleum increased fastest—63 and 44 percent, respectively. In "other industries," the sharpest increases were in finance, construction, and real estate. In manufacturing, the position increased 17 percent; the sharpest increases were in "other manufacturing," especially transportation equipment, tobacco products, and printing and publishing.

As noted earlier, the 31-percent increase in the total position in 1981 continued the rapid growth—averaging about 25 percent per year—that occurred during 1978-80. Earlier in the post-World War II period, the rate of growth exceeded 13 percent only twice (in 1973 and 1974, partly in response to devaluations of the U.S. dollar in the early 1970's); in most years, it was less than 10 percent.

The cumulative effects of several developments contributed to the strong growth in the position during the last 4 years. First, the depreci-

ation of the U.S. dollar against several major foreign currencies after 1970 had, by 1978, significantly reduced the foreign currency cost of acquiring U.S. companies, establishing new affiliates, and expanding existing affiliates. The depreciation also increased the U.S. dollar cost of exports to the United States, making production here a relatively more attractive means of serving U.S. markets. (In 1981, the dollar appreciated markedly but growth remained strong, partly because some of the new investments reflected earlier decisions and because other factors, such as those noted below, offset the dampening effect the appreciation might have had on investment.) Second, investment in the United States may have become more attractive because production costs here grew more slowly than in most other major industrialized countries during the 1970's.<sup>2</sup> Third, sharp increases in the prices of fuels and, to a lesser extent, other resources, encouraged foreign companies to invest heavily in U.S. natural resource industries, particularly petroleum extraction and coal mining. Such investment may have been attracted by the general lack of restrictions on investments in natural resources here. Fourth, stable political conditions here, coupled with political instability

in a number of foreign countries, may have stimulated foreign investment.

Although it continued the rapid growth of 1978-80, the 1981 addition differed significantly in composition from the prior additions. Equity and intercompany account inflows accounted for a much larger share (and reinvested earnings for a much smaller share) than in any of the 3 previous years—80 percent for 1981 compared with 67, 66, and 54 percent, respectively. This difference mainly reflected especially large equity and intercompany account inflows in 1981.

#### Equity and intercompany account inflows

Equity and intercompany account inflows were \$17.2 billion in 1981, more than twice as large as in any of the 3 previous years (table 4).

Inflows from foreign parents for acquisitions were especially large. Two acquisitions each involved inflows that were well above the previous record for a single acquisition; together, they accounted for inflows of more than \$5 billion. In addition, funds from foreign parents for other acquisitions and establishments were probably at least as large in 1981 as in any of the 3 prior years.<sup>3</sup> Also, funds

2. This statement is based on data for 1970-80 on unit labor costs in manufacturing in the United States and 10 foreign industrialized countries, published in "International Comparisons of Manufacturing Productivity and Labor Cost Trends, Preliminary Measures for 1981," a June 1982 press release of the U.S. Department of Labor, Bureau of Labor Statistics.

3. This statement is based on data for 1973-81 from BEA's survey of new acquisitions and establishments. Data from that survey differ in certain respects from those used here. For example, data in this article cover changes in the foreign parent of existing U.S. affiliates, whereas data in the survey of acquisitions and establishments do not. In particular, one of the two large acquisitions mentioned in the text involved the purchase by one foreign parent of another foreign par-

from foreign parents to finance the operations of existing affiliates were larger than in the earlier years. Such funds may have been larger because affiliates' profits and, consequently, their funds available for reinvestment were lower in 1981 than in the past. Funds from foreign parents may have been less expensive than funds borrowed here because interest rates were lower in many foreign countries than in the United States in 1981.

Equity and intercompany account inflows to incorporated affiliates increased \$10.0 billion, to \$16.5 billion, and inflows to unincorporated affiliates decreased \$0.3 billion, to \$0.7 billion. The increase in inflows to incorporated affiliates consisted of a \$4.0 billion increase in inflows for capital stock and a \$6.0 billion increase in inflows on intercompany accounts. The latter increase, in turn, reflected a larger increase in affiliates' payables due to their foreign parents and a smaller increase in affiliates' receivables due from their foreign parents.<sup>4</sup>

By area of foreign parent, equity and intercompany account inflows from Europe, "other countries," and Japan increased substantially. For Europe, larger inflows from France and Germany accounted for most of the increase. For "other countries," larger inflows from Kuwait accounted for most of the increase.

By industry, the increase in equity and intercompany account inflows was attributable to a shift from outflows to inflows in petroleum and increases in inflows to affiliates in "other industries," manufacturing, and trade.

In petroleum, there was a \$3.8 billion shift from net outflows in 1980 to net inflows of \$3.1 billion in 1981.

Table 4.—Equity and Intercompany Account Inflows, by Type of Affiliate, 1980-81

(Millions of dollars; outflow (-))

		1980								Unincorporated affiliates
		Total	Inflows to incorporated affiliates <sup>1</sup>						Total	
			Total	Capital stock <sup>2</sup>		Intercompany accounts				
				Total	Increase	Decrease	Total	Payables		
Total		7,040	6,901	5,762	6,373	-611	738	3,119	-2,344	999
By area:										
Canada		1,246	987	580	754	-174	387	590	-229	238
Europe		4,890	4,435	4,588	4,774	-287	-72	1,507	-1,579	455
Japan		82	61	298	( <sup>a</sup> )	( <sup>a</sup> )	-236	190	-425	32
Other		1,271	1,058	378	( <sup>a</sup> )	( <sup>a</sup> )	879	832	-153	214
By industry:										
Petroleum		-276	-314	235	( <sup>a</sup> )	( <sup>a</sup> )	-549	54	-603	37
Manufacturing		2,825	2,830	2,910	3,012	-90	-89	979	-1,859	-11
Trade		1,780	1,817	946	928	-30	971	1,588	-617	-57
Insurance		71	360	433	( <sup>a</sup> )	( <sup>a</sup> )	-73	-73	1	410
Other		2,419	1,901	1,032	1,697	-270	459	571	-162	618
1981										
Total		17,281	16,523	9,811	10,714	-903	4,711	6,782	-71	679
By area:										
Canada		1,503	1,549	1,426	1,560	-133	123	286	-162	44
Europe		5,528	5,253	5,276	5,994	-118	3,377	3,388	39	276
Japan		1,935	1,882	687	683	-6	1,106	1,063	132	106
Other		4,852	3,838	1,822	2,468	-946	2,016	2,055	-96	254
By industry:										
Petroleum		3,060	2,968	1,258	1,319	-561	1,702	1,006	-206	100
Manufacturing		4,347	4,345	3,114	3,281	-167	1,331	983	-268	2
Trade		2,388	2,406	1,160	1,172	-12	1,547	1,404	-217	-18
Insurance		278	353	239	243	-4	42	55	-12	-6
Other		7,128	6,529	4,041	4,199	-159	2,488	2,293	95	589

<sup>a</sup> Suppressed to avoid disclosure of data of individual companies.<sup>1</sup> Includes inflows to purchase capital stock in affiliates from unaffiliated U.S. persons and outflows from the sale of such stock to unaffiliated U.S. persons. Although such flows are not actually "to" U.S. affiliates they are so classified because they change the foreign direct investment position in these affiliates.<sup>2</sup> Includes the net change in additional paid-in capital.

Most of the shift was accounted for by a more than \$2.0 billion increase in inflows from France and a \$0.6 billion shift to inflows from the United Kingdom. Inflows from France increased largely because of a substantial 1981 inflow from a Government-owned petroleum company to its U.S. petroleum affiliate for the acquisition of the U.S.-held shares of a major U.S. mining company.<sup>5</sup> The shift to net inflows from the United Kingdom reflected a decline in outflows from U.S. affiliates in petroleum wholesale

trade; the decline occurred because of slower growth in the affiliates' short-term intercompany account receivables due from their foreign parents.

In "other industries," inflows increased \$4.7 billion, to \$7.1 billion. Inflows increased \$1.0 billion in finance, \$0.4 billion in real estate, and \$3.4 billion in all other industries. In the latter, most of the increase was in inflows from "other Middle East," including a large inflow—over \$2.5 billion—from a State-owned petroleum company in Kuwait for the acquisition of a U.S. construction, and oil and gas field services company. This was by far the largest direct investment in a U.S. industrial company to date by a Middle East oil-producing country. In finance, the increase partly reflected a large—over \$0.5 billion—inflow from a British bank for the acquisition of a major U.S. bank. It also reflected an increase in inflows to affiliates of Japanese parents, largely for acquisitions of U.S. banks. In real estate, inflows from Canada, the United Kingdom, and Kuwait increased substantially. The increase from Canada reflected the acquisition of a large U.S. real estate develop-

ent's interest in a U.S. affiliate. However, this acquisition was not covered by the survey of acquisitions and establishments because it was not the first time that the U.S. company became foreign-owned. For a description of other differences between data from that survey and those used here, see R. David Belli, "U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1980," *Survey of Current Business* 61 (August 1981): p. 53. For findings from the survey for 1980 and 1981, see R. David Belli, "U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1981," *Survey* 62 (June 1982): 27-31.

4. Increases (decreases) in payables are intercompany account inflows (outflows), and increases (decreases) in receivables are outflows (inflows). The change in intercompany account outflows is thus the second-order change (i.e., the change in the change) in payables minus the second-order change in receivables.

5. In addition to the U.S.-held shares, the French company planned to acquire shares of the U.S. affiliate held by a Netherlands company that, in turn, was owned by a Canadian company. Acquisition of the Netherlands-Canadian interest by the French company had not been completed as of the end of 1981; however, as a preliminary step to this acquisition, the Netherlands company was liquidated late in 1981 and its interest in the U.S. mining affiliate was transferred to the Canadian parent. Because this liquidation and transfer did not involve any flows in the U.S. international transactions accounts, the change in ownership was reflected in the direct investment position in the U.S. mining affiliate by offsetting valuation adjustments to the position of parents in the Netherlands and Canada. (In exchange for its interest in the U.S. mining affiliate, the Canadian company was to receive the mining affiliate's Canadian operations; this exchange was actually completed in the first quarter of 1982.)

Table 5.—Reinvested Earnings and Reinvestment Ratio of Incorporated Affiliates, 1980-81

(Millions of dollars, or ratio)

	1980				1981				1980-81 change		
	Earnings	Gross dividends	Reinvested earnings	Reinvestment ratio (reinvested earnings/earnings)	Earnings	Gross dividends	Reinvested earnings	Reinvestment ratio (reinvested earnings/earnings)	Earnings	Gross dividends	Reinvested earnings
All areas	7,356	1,843	6,161	83.8	6,982	1,992	4,669	66.9	-1,336	436	-3,888
Petroleum	3,422	680	2,782	81.3	3,373	592	2,386	71.1	-43	362	-245
Manufacturing	1,892	443	1,449	77.1	1,666	809	84	5.1	-1,436	66	-1,502
Trade	1,173	208	985	84.0	1,297	247	1,040	80.2	114	36	76
Insurance	524	77	447	85.3	282	42	240	85.1	-231	-35	-197
Other	710	145	573	80.7	670	304	476	70.9	-40	68	-38
Canada	1,524	61	1,585	104.0	139	65	63	45.3	-2,186	4	-1,542
Petroleum	149	35	175	117.5	63	32	58	92.1	-86	-3	-57
Manufacturing	1,315	7	1,306	99.3	-98	6	-97	100.0	-1,406	-1	-1,404
Trade	56	1	55	98.2	61	2	49	80.3	-5	1	-6
Insurance	-1	(*)	-2	(*)	8	6	2	25.0	9	2	7
Other	107	18	89	83.2	71	24	47	66.2	-37	6	-42
Europe	4,749	1,317	3,371	71.0	4,635	1,735	2,876	62.1	-94	642	-496
Petroleum	(*)	(*)	(*)	(*)	2,837	942	1,995	69.9	(*)	(*)	-259
Manufacturing	428	417	11	2.6	378	489	-118	(*)	-82	72	-124
Trade	564	189	405	71.8	454	175	476	104.8	-99	20	70
Insurance	(*)	(*)	(*)	(*)	217	85	133	61.3	(*)	(*)	-185
Other	424	90	334	78.8	471	135	336	71.3	47	45	2
Japan	782	62	839	107.3	746	72	675	90.6	45	9	35
Petroleum	(*)	(*)	(*)	(*)	13	6	7	53.8	(*)	(*)	(*)
Manufacturing	18	9	9	50.0	-11	7	-18	(*)	-29	-2	-25
Trade	572	27	545	95.3	629	36	688	109.4	66	18	38
Insurance	(*)	(*)	(*)	(*)	14	(*)	(*)	(*)	(*)	(*)	(*)
Other	90	14	76	84.4	102	(*)	(*)	(*)	12	(*)	(*)
Other	652	62	591	90.6	653	76	577	88.4	-96	14	-104
Petroleum	(*)	3	(*)	(*)	340	12	328	96.5	(*)	9	(*)
Manufacturing	121	18	103	85.1	180	7	173	96.1	-38	1	-37
Trade	-19	22	-41	(*)	-47	21	-68	(*)	-88	-1	-27
Insurance	(*)	4	(*)	(*)	64	(*)	(*)	(*)	(*)	(*)	(*)
Other	95	23	75	77.9	30	(*)	(*)	(*)	-62	(*)	(*)

\* Less than \$500,000 (±).

1. Reinvestment ratio not defined because reinvested earnings are negative.

2. Suppressed to avoid disclosure of data of individual companies.

Table 6.—Income and Rate of Return, 1980-81

(Millions of dollars, or percent)

	1980							1981						
	Income					Rate of return <sup>1</sup>	Income					Rate of return <sup>1</sup>		
	Total	Interest, dividends, and earnings of unincorporated affiliates					Total	Interest, dividends, and earnings of unincorporated affiliates						
	Total	Interest	Dividends	Earnings of unincorporated affiliates	Reinvested earnings		Total	Interest	Dividends	Earnings of unincorporated affiliates	Reinvested earnings			
All areas	9,478	3,383	899	1,449	968	6,167	15.4	7,997	2,705	1,116	1,889	742	4,009	9.8
Petroleum	3,467	785	15	652	68	2,782	81.1	3,377	1,019	-15	945	89	2,388	22.5
Manufacturing	2,396	940	552	411	-28	1,449	10.2	1,912	1,067	812	462	-7	-54	8.7
Trade	1,418	445	172	185	38	965	10.9	1,576	585	225	219	92	1,040	9.5
Insurance	625	281	15	67	299	447	17.4	280	-21	11	97	-69	250	4.1
Other	1,376	692	187	132	538	676	14.3	1,583	1,107	253	197	638	476	18.1
Canada	1,785	239	67	63	110	1,566	14.5	247	184	69	67	60	61	9.2
Petroleum	151	36	6	30	1	116	13.3	96	38	10	(*)	55	6.7	
Manufacturing	1,334	25	19	6	1	1,308	9.3	-91	16	31	(*)	-21	-1.4	
Trade	56	9	8	1	1	55	4.8	54	5	3	2	49	4.4	
Insurance	25	(*)	(*)	(*)	28	-2	7.1	-90	-85	(*)	2	-97	6	
Other	220	131	36	16	75	69	12.0	247	910	45	21	143	47	9.9
Europe	6,767	2,386	626	1,368	479	3,371	13.8	5,541	2,698	739	1,656	586	2,875	14.7
Petroleum	2,875	829	2	(*)	(*)	2,353	32.3	2,596	282	-35	991	16	1,985	28.8
Manufacturing	687	676	319	387	-21	11	4.5	941	754	385	443	-14	-112	3.3
Trade	857	451	259	199	63	408	8.5	868	612	295	187	61	476	9.9
Insurance	699	333	16	(*)	(*)	366	18.0	227	45	11	32	9	182	5.0
Other	640	307	48	81	199	334	12.3	818	482	125	124	294	386	10.9
Japan	722	62	-76	67	101	639	18.7	764	93	-63	65	91	675	12.8
Petroleum	(*)	9	-2	(*)	(*)	(*)	(*)	2	-8	-11	(*)	(*)	7	4.6
Manufacturing	40	31	16	8	7	9	5.2	29	46	31	(*)	(*)	-12	2.9
Trade	467	-72	-101	24	-2	545	22.9	580	-63	-103	41	-1	683	15.1
Insurance	(*)	11	8	(*)	(*)	(*)	(*)	30	8	9	(*)	7	(*)	(*)
Other	186	109	12	13	85	76	(*)	197	(*)	21	(*)	76	(*)	(*)
Other	1,193	694	272	55	273	691	15.2	1,231	744	389	72	283	487	13.5
Petroleum	(*)	68	10	3	56	(*)	(*)	423	95	11	12	71	302	29.4
Manufacturing	628	208	209	10	-18	121	11.6	423	280	246	7	-3	172	12.6
Trade	22	68	6	21	36	-41	1.6	13	81	80	30	91	-68	0.8
Insurance	(*)	16	5	3	2	(*)	(*)	82	(*)	1	(*)	8	(*)	(*)
Other	329	254	43	22	190	75	(*)	311	(*)	91	(*)	185	(*)	(*)

\* Less than \$500,000 (±).

2. Suppressed to avoid disclosure of data of individual companies.

3. Income divided by the average of the beginning- and end-of-year direct investment positions.

ment and management company by a major Canadian real estate development company. The increases from the other two countries reflected, respectively, the acquisition of developed U.S. commercial property by a British pension fund and of undeveloped real estate and timberland by a Kuwaiti company.

Inflows to manufacturing affiliates increased \$1.5 billion, to \$4.8 billion. Most of the increase—\$1.3 billion—was attributable to affiliates in "other manufacturing." Inflows to affiliates in metals and food products increased \$0.3 billion and \$0.2 billion, respectively.

In "other manufacturing," the increase was more than accounted for by a \$1.2 billion shift to net inflows from Germany and a \$0.2 billion increase in inflows from Canada. The shift to inflows from Germany was largely the result of a buildup in late 1980, and reduction in 1981, of a U.S. automobile manufacturing affiliate's receivables due from its foreign parent. The 1980 buildup may have reflected advances from the affiliate in response to financial needs of its parent. The increase in inflows from Canada partly reflected the acquisition of a minority interest in a large U.S. manufacturer of consumer paper products.

In metals, the increase in inflows was largely attributable to the acquisition of a U.S. wire and cable manufacturer by a major Canadian mining and manufacturing company. In food products, Swiss parents increased both their outstanding loans to, and equity investment in, their U.S. affiliates.

Inflows to affiliates in trade increased \$0.6 billion, to \$2.4 billion. The increase reflected a \$1.2 billion shift from small outflows from, to inflows to, Japanese-owned affiliates. Most of the shift resulted from faster growth in affiliate payables and a shift from an increase in 1980, to a decrease in 1981, in affiliate receivables. These changes were largely attributable to the U.S. affiliates of the major Japanese trading companies.

#### Reinvested earnings

Reinvested earnings of incorporated affiliates declined \$2.1 billion, to \$4.1 billion (table 5). Reinvested earnings

are equal to earnings (i.e., foreign parents' shares in net income after U.S. income taxes) of incorporated affiliates minus gross dividends (i.e., dividends before deduction of U.S. withholding taxes) on common or preferred stock held by foreign parents. The decline was the net result of a \$1.8 billion decline in earnings and a \$0.4 billion increase in gross dividends. (See the following section for a discussion of changes in income, of which earnings is the major component.) The reinvestment ratio—the fraction of earnings reinvested—declined from 0.80 to 0.67.

Reinvested earnings declined in every major industry except trade. By far the largest decline was in manufacturing—\$1.5 billion. The decline registered by affiliates in food products was particularly large—\$1.2 billion. It reflected a large 1980 capital gain realized by a Canadian-owned U.S. affiliate from its sale of a U.S. petroleum subsidiary. Also, there was a \$0.1 billion decline in metals, which largely resulted from a lower reinvestment ratio, and a \$0.3 billion increase in negative reinvested earnings in machinery. Partly offsetting was a \$0.1 billion decline in negative reinvested earnings in "other manufacturing." Reinvested earnings in chemicals were unchanged.

In petroleum, most of a \$0.3 billion decline was attributable to affiliates with parents in France, Belgium, and Canada, and was largely the result of an increase in dividends. In insurance, most of a \$0.2 billion decline, attributable to British-owned affiliates, was the result of a sharp decline in earnings partly offset by a decrease in dividends. In "other industries," a \$0.1 billion decline was more than accounted for by affiliates in real estate and agriculture, and reflected both a decline in earnings and an increase in dividends.

#### Income

Direct investment income, the return on the position, fell 18 percent, to \$7.8 billion (table 6). Income consists of U.S. affiliates' earnings, as defined earlier, plus interest (net of withholding taxes) on intercompany accounts, less U.S. withholding taxes on dividends (table 7). Alternatively, it is the sum of (1) interest, dividends,

Table 7.—Income and Related Items: Source and Relationship  
(Millions of dollars)

	1981 amount	Source and relationship
1. Earnings of incorporated affiliates	6,092	Reported
2. Earnings of unincorporated affiliates	742	Reported
3. Earnings	6,835	= 1 + 2
4. Gross dividends (on common and preferred stock)	1,893	= 5 + 6
5. U.S. withholding tax on dividends	143	Derived
6. Dividends (on common and preferred stock)	1,850	Reported
7. Interest (net of withholding taxes)	1,116	Reported
8. Reinvested earnings of incorporated affiliates	4,095	= 1 - 4 or 10 - 9
9. Interest, dividends, and earnings of unincorporated affiliates	3,768	= 2 + 6 + 7 or 10 - 8
10. Income	7,897	= 3 - 5 + 7 or 8 + 9

Note: "Reported" refers to universe estimates derived from reported sample data.

and earnings of unincorporated affiliates, and (2) reinvested earnings of incorporated affiliates.

The decline in income was concentrated in manufacturing and insurance. It was more than accounted for by a shift from capital gains of \$1.7 billion in 1980 to capital losses of \$0.2 billion in 1981. Income before capital gains and losses increased 3 percent in 1981, compared with an average increase of 40 percent per year in the previous 3 years. Sharp increases in the position in all 4 years contributed to the increases in income, as income of newly acquired or established U.S. affiliates was added to that of existing U.S. affiliates. The increase in income was much smaller in 1981 primarily because worsened economic conditions in the United States resulted in lower earnings, or losses, for many affiliates. Also, petroleum affiliates' income fell slightly in 1981 following 3 years of very strong growth. In large part, the difference reflected changed conditions in petroleum markets—from supply shortages and sharp price increases in 1978-80 to plentiful supplies and moderating prices in 1981.

Income from manufacturing affiliates declined \$1.4 billion, to \$1.0 billion. Most of the decline reflected a

(Text continued on p. 41)

Table 8.—Foreign Direct Investment in the

(Millions)

	Line	Position, year-end						Capital				
		1976	1977	1978	1979	1980	1981	1977	1978	1979	1980	1981
<b>All areas</b>	1	30,170	34,595	42,471	54,462	68,281	86,769	3,726	7,987	11,877	13,598	21,301
Petroleum	2	5,921	8,573	7,762	9,986	12,968	17,813	682	1,244	2,144	2,456	5,445
Manufacturing	3	12,630	16,039	17,282	20,876	25,189	29,633	1,414	3,197	5,672	4,278	4,288
Trade	4	6,123	7,237	9,161	11,562	14,296	17,784	1,112	1,918	2,894	2,726	2,728
Insurance	5	2,114	2,318	2,778	4,148	5,385	6,896	204	538	1,189	1,218	588
Other	6	3,983	4,487	5,673	7,871	11,188	18,783	346	1,000	2,258	2,953	7,608
<b>Canada</b>	7	5,907	6,650	6,199	7,154	10,074	12,212	394	480	931	2,811	1,684
Petroleum	8	676	710	734	843	1,308	1,547	34	79	289	365	229
Manufacturing	9	3,886	3,877	3,215	3,615	5,199	5,787	244	278	482	1,588	581
Trade	10	710	758	907	911	1,141	1,286	46	149	4	170	144
Insurance	11	244	307	208	278	452	402	-89	2	63	173	-60
Other	12	890	898	1,116	1,406	1,973	3,191	8	172	246	620	742
<b>Europe</b>	13	26,164	23,754	23,186	27,403	38,731	57,785	2,658	5,287	8,159	8,262	12,403
Petroleum	14	4,899	5,523	6,089	8,010	9,746	14,822	234	1,045	1,341	1,771	4,384
Manufacturing	15	7,428	9,287	11,717	13,952	18,046	18,016	1,291	2,348	2,240	2,105	2,931
Trade	16	4,339	5,120	6,023	7,838	9,812	10,643	606	897	1,810	1,325	1,328
Insurance	17	1,886	1,781	3,393	3,439	4,397	4,749	193	492	1,281	858	448
Other	18	1,803	2,456	2,011	4,164	6,282	5,676	245	435	1,447	2,802	2,856
<b>Japan</b>	19	1,178	1,733	2,739	3,493	4,225	5,887	587	987	144	732	2,682
Petroleum	20	45	48	(*)	160	58	7	2	(*)	(*)	-102	-53
Manufacturing	21	904	332	474	696	887	1,111	28	135	222	141	273
Trade	22	338	311	1,622	1,767	2,397	3,128	482	711	235	540	1,819
Insurance	23	(*)	86	61	61	142	217	(*)	(*)	(*)	60	75
Other	24	(*)	827	627	608	881	1,436	(*)	100	182	73	347
<b>Other</b>	25	3,523	3,438	4,361	4,412	5,322	12,933	-11	1,013	2,943	1,961	4,579
Petroleum	26	201	292	(*)	783	1,228	1,637	91	(*)	(*)	423	406
Manufacturing	27	1,603	1,384	1,798	2,812	3,059	3,619	-149	436	889	446	506
Trade	28	745	548	709	1,045	1,538	1,678	-21	151	325	489	143
Insurance	29	(*)	285	(*)	869	465	628	(*)	(*)	(*)	108	83
Other	30	(*)	958	1,219	1,808	2,051	5,492	(*)	294	383	395	8,459

\* Less than \$500,000 (±).

\* Suppressed to avoid disclosure of data of individual companies.

Table 9.—Foreign Direct Investment Position in the United States at Year-end 1980

(Millions of dollars)

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing					
<b>All countries</b>	66,261	12,363	23,189	4,187	8,817	3,696	4,195	5,170	14,296	5,600	5,385	3,873	3,895
<b>Canada</b>	10,974	1,308	5,199	2,187	151	837	1,275	749	1,141	400	452	566	1,013
<b>Europe</b>	46,734	9,766	18,804	1,840	5,854	2,682	3,656	3,592	9,313	3,399	4,287	1,234	1,699
European Communities (9)	39,853	8,562	18,046	1,524	4,711	1,739	1,974	2,068	7,945	3,079	3,547	1,268	1,505
Belgium and Luxembourg	1,817	1,235	221	24	121	82	-48	82	187	161	7	28	76
France	2,860	242	1,801	85	313	522	28	522	685	380	53	-1	100
Germany	5,482	(*)	2,653	28	1,798	183	402	-228	1,581	163	892	188	407
Italy	568	(*)	8	-1	-14	3	-6	12	211	104	17	13	1
Netherlands	16,389	8,340	4,858	377	1,061	96	909	1,115	1,288	1,195	686	832	572
Denmark and Ireland	169	3	55	-3	13	(*)	14	28	85	7	(*)	0	19
United Kingdom	12,242	-811	5,610	499	1,419	883	614	1,543	3,762	1,050	2,139	228	880
<b>Other Europe</b>	5,779	285	3,822	384	1,243	343	682	457	1,384	221	780	16	193
Sweden	1,383	182	419	1	46	73	459	42	689	-58	189	2	2
Switzerland	3,670	30	2,928	308	1,158	349	210	383	681	301	632	8	87
Other	550	48	76	8	-1	28	12	33	194	104	19	11	104
<b>Japan</b>	4,225	58	337	16	227	240	176	169	2,387	645	193	143	134
<b>Australia, New Zealand, and South Africa</b>	253	-3	91	3	5	51	-7	-44	129	-78	16	44	49
<b>Latin America</b>	5,888	1,184	2,930	144	1,676	227	86	678	1,835	451	448	693	348
Latin American Republics	942	19	126	45	60	(*)	-2	31	114	233	340	99	13
Panama	707	13	138	42	67	6	15	33	59	388	68	8	9
Other	238	6	-11	3	-7	-6	-18	16	81	173	2	80	236
<b>Other Western Hemisphere</b>	6,049	1,106	2,805	98	1,620	337	98	647	922	218	108	595	236
<b>Middle East</b>	753	1	49	(*)	3	45	(*)	1	174	228	(*)	344	-53
Israel	155	0	3	(*)	2	0	0	(*)	16	193	(*)	0	-25
Other	598	1	46	0	(*)	45	(*)	(*)	159	78	(*)	343	-28
<b>Other Africa, Asia, and Pacific</b>	325	48	-13	-10	1	-1	-1	-1	197	45	2	43	3
<b>Memorandum:</b>													
OECD	664	27	57	5	-1	44	-7	18	(*)	84	1	359	(*)

\* Less than \$500,000 (±).

\* Suppressed to avoid disclosure of data of individual companies.

1. See footnote 2, table 2.



## United States, Selected Items, 1974-81

(of dollars)

Equity and intercompany account inflows (outflows (-))					Reinvested earnings of incorporated subsidiaries					Income					Fees and royalties					Line
1977	1978	1979	1980	1981	1977	1978	1979	1980	1981	1977	1978	1979	1980	1981	1977	1978	1979	1980	1981	
2,142	5,313	7,831	1,500	17,291	1,896	2,583	3,965	6,167	4,099	2,834	4,211	6,357	9,470	7,807	247	390	623	514	429	1
52	303	499	-276	9,080	601	840	1,645	2,782	2,388	836	1,289	2,037	3,467	3,407	3	9	33	35	28	2
984	2,537	2,687	2,825	4,347	430	680	1,086	1,495	-54	900	1,148	1,690	2,390	1,012	187	277	323	358	268	3
681	1,430	1,765	1,760	2,388	433	488	628	955	1,040	655	806	1,065	1,410	1,278	-16	(*)	5	-40	-196	4
129	268	1,168	771	278	84	219	240	447	250	98	445	599	829	280	63	65	53	99	181	5
305	775	1,821	2,419	7,128	41	225	328	573	476	347	573	956	1,375	1,583	15	42	63	62	162	6
47	419	532	1,244	3,583	247	231	399	1,505	63	314	354	599	1,796	347	119	132	163	160	269	7
17	33	138	260	182	17	46	79	115	58	81	74	112	151	88	-2	-3	-9	-4	-4	8
73	193	229	275	678	169	85	163	1,308	-97	188	112	196	1,384	-81	25	28	31	49	52	9
23	93	-37	115	85	23	54	41	58	49	33	87	63	65	54	15	14	14	(*)	8	10
-39	2	68	175	-56	(*)	1	1	-2	6	-55	12	75	28	-30	62	64	68	95	173	11
-30	129	131	431	685	38	43	115	89	47	83	99	162	220	267	18	29	37	36	44	12
1,822	3,180	5,438	4,990	9,524	1,436	1,856	2,721	3,371	2,875	1,945	3,038	4,379	5,757	5,961	165	305	407	582	545	13
21	282	65	-684	2,550	508	783	1,270	2,255	1,993	686	1,036	1,708	2,875	2,888	-2	3	25	39	18	14
1,011	1,896	1,572	2,088	3,443	280	452	668	11	-113	879	815	1,144	637	641	165	231	280	295	181	15
398	609	1,520	1,120	647	206	288	290	408	476	417	592	713	887	588	3	52	67	220	210	16
153	257	1,841	492	258	40	235	180	388	182	185	389	448	693	327	-7	4	5	5	11	17
238	325	1,240	1,684	2,519	7	109	208	334	335	119	206	385	648	318	2	29	29	22	115	18
431	779	292	92	1,968	183	217	483	839	675	207	391	569	722	768	-13	-69	-25	-84	-84	19
1	(*)	(*)	(*)	-80	1	2	38	(*)	7	1	2	38	(*)	2	3	3	3	-1	-3	20
45	93	169	132	281	-27	42	53	9	-18	-19	82	74	40	29	11	9	14	21	21	21
129	590	-47	-5	1,238	183	121	261	545	363	147	84	238	467	520	-92	-75	-81	-90	-92	22
(*)	(*)	(*)	(*)	(*)	(*)	1	1	(*)	(*)	(*)	6	11	(*)	20	(*)	(*)	(*)	(*)	(*)	23
(*)	50	163	-3	(*)	6	50	79	76	(*)	19	147	289	186	197	-10	-8	-5	-7	-8	24
-161	744	1,670	1,271	4,692	140	269	373	591	487	445	618	889	1,198	1,231	3	21	37	-151	-302	25
12	(*)	(*)	(*)	78	79	109	152	(*)	328	38	128	179	423	423	1	6	13	15	12	26
-137	355	687	325	385	8	80	122	121	173	132	180	253	328	423	1	6	7	6	4	27
46	(*)	(*)	(*)	210	19	24	5	-41	-63	33	63	63	22	13	-2	9	5	-181	-319	28
(*)	210	347	323	(*)	44	38	58	(*)	(*)	46	37	65	(*)	62	-2	-2	-1	-1	-1	29
(*)	(*)	(*)	(*)	(*)	-11	24	35	75	(*)	60	130	228	329	311	4	(*)	2	10	1	30

Table 10.—Foreign Direct Investment Position in the United States at Yearend 1981

(Millions of dollars)

	All indus- tries	Petro- leum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food prod- ucts	Chem- icals and allied prod- ucts	Prim- ary and fabri- cated metals	Machinery	Other manu- facturing					
All countries	28,759	11,813	28,333	4,791	5,388	4,325	4,628	7,303	17,734	7,448	5,896	4,541	5,178
Canada	12,212	1,517	5,787	2,389	182	1,172	1,644	1,039	1,285	398	402	912	1,980
Europe	57,195	14,622	19,618	2,193	6,210	2,329	2,166	4,869	18,647	5,029	4,749	1,856	1,681
European Communities (EC)	51,191	14,380	15,608	1,831	4,942	1,519	2,470	4,646	9,202	4,718	3,979	1,352	1,434
Belgium and Luxembourg	2,176	1,498	174	26	115	49	-77	63	187	189	7	28	85
France	5,844	2,610	1,815	51	346	542	140	897	771	445	20	3	176
Germany	7,067	56	2,917	25	1,855	178	605	253	2,271	301	764	183	374
Italy	188	(*)	9	9	-15	2	1	12	4	123	19	14	-2
Netherlands	20,177	10,446	4,604	982	991	95	1,215	1,351	1,510	1,385	806	1,289	155
Denmark, Ireland, and Greece	233	3	78	(*)	16	0	2	59	96	31	1	(*)	24
United Kingdom	15,527	-212	6,910	528	1,634	962	685	2,202	4,362	2,250	2,350	425	420
Other Europe	6,514	229	3,508	582	1,298	509	698	443	1,411	318	714	14	347
Sweden	1,402	154	608	1	58	46	450	43	582	-86	199	2	4
Switzerland	4,388	29	2,731	550	1,243	838	280	369	607	235	641	-1	135
Other	744	40	171	11	(*)	115	16	39	242	164	20	13	188
Japan	5,897	7	3,111	57	284	262	319	287	4,125	1,693	217	131	301
Australia, New Zealand, and South Africa	338	31	377	1	4	209	16	48	144	-71	28	51	84
Latin America	8,352	1,584	3,314	173	1,512	311	57	932	1,213	571	199	827	361
Latin American Republics	988	25	180	39	116	-15	-14	53	-22	283	387	123	23
Panama	779	14	198	43	114	2	10	22	17	68	385	85	14
Other	229	10	-18	-3	2	-17	-28	81	-38	215	2	38	9
Other Western Hemisphere	7,364	1,639	3,135	134	1,696	326	180	879	1,234	288	112	704	342
Middle East	3,686	5	52	(*)	3	47	(*)	2	323	325	(*)	635	2,514
Israel	230	0	5	(*)	3	0	0	0	15	241	0	(*)	-39
Other	3,456	5	47	0	(*)	47	(*)	(*)	108	88	(*)	634	2,574
Other Africa, Asia, and Pacific	381	45	-25	-12	1	-3	-4	-6	199	199	2	43	14
Nonresidents: OPEC <sup>2</sup>	3,358	39	53	1	-1	44	-11	15	168	103	1	651	2,574

<sup>1</sup> Less than \$500,000 (±1).<sup>2</sup> In 1981, Greece joined the European Communities; prior to 1981, data for Greece were included in "other Europe." In 1981, direct investment position of Greek parents was \$26 million.

See footnote 3, table 2.



Table 11.—Equity and Intercompany Account Inflows, 1980

(Millions of dollars; outflows (-))

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing					
All countries	7,599	-276	2,535	117	638	369	763	944	1,768	1,003	771	1,144	167
Canada	1,245	294	215	-19	19	-43	(*)	(*)	115	93	175	396	133
Europe	4,439	-484	2,893	119	591	383	334	484	1,139	533	492	666	71
European Communities (8)	4,295	-484	1,901	185	507	245	308	455	896	503	285	666	63
Belgium and Luxembourg	80	(*)	44	(*)	(*)	-14	(*)	-22	-37	(*)	(*)	(*)	-6
France	527	(*)	428	(*)	68	(*)	36	137	194	(*)	7	(*)	66
Germany	-179	(*)	-364	(*)	48	21	(*)	486	49	137	(*)	86	113
Italy	128	(*)	-11	(*)	(*)	1	(*)	14	116	21	2	0	1
Netherlands	1,369	-119	576	(*)	208	(*)	182	242	369	(*)	(*)	573	-24
Denmark and Ireland	22	(*)	13	(*)	(*)	(*)	16	6	6	4	0	22	-2
United Kingdom	1,693	-505	1,286	117	117	212	185	466	511	580	156	22	-85
Other Europe	681	19	193	1	64	137	26	41	224	28	207	1	18
Sweden	162	(*)	58	(*)	(*)	(*)	12	(*)	68	5	(*)	(*)	7
Switzerland	486	(*)	33	(*)	38	(*)	19	37	141	7	(*)	12	11
Other	60	1	14	(*)	(*)	3	6	(*)	25	15	4	4	1
Japan	82	(*)	182	(*)	25	(*)	35	69	-5	-35	(*)	38	(*)
Australia, New Zealand, and South Africa	23	(*)	18	(*)	1	(*)	-2	10	12	3	(*)	4	(*)
Latin America	334	(*)	333	-32	33	16	(*)	33	364	64	(*)	113	7
Latin American Republics	69	(*)	-21	(*)	(*)	(*)	(*)	(*)	27	(*)	(*)	33	(*)
Panama	25	(*)	-7	(*)	(*)	1	(*)	(*)	26	(*)	(*)	(*)	(*)
Other	48	(*)	14	(*)	(*)	(*)	(*)	(*)	11	40	0	(*)	(*)
Other Western Hemisphere	965	(*)	354	22	42	(*)	(*)	178	317	(*)	(*)	119	-2
Middle East	353	(*)	1	(*)	9	(*)	(*)	(*)	164	19	(*)	38	1
Israel	-4	(*)	0	(*)	0	(*)	0	(*)	14	16	0	(*)	(*)
Other	263	(*)	1	(*)	0	(*)	(*)	(*)	150	3	0	(*)	(*)
Other Africa, Asia, and Pacific	45	25	-27	-14	1	(*)	(*)	-13	11	19	(*)	29	-11
Memorandum:													
OPEC <sup>1</sup>	275	15	-1	-4	0	2	1	(*)	(*)	-2	8	94	(*)

\* Less than \$500,000 (±).

(\*) Suppressed to avoid disclosure of data of individual companies.

1. See footnote 3, Table 2.

Table 12.—Equity and Intercompany Account Inflows, 1981

(Millions of dollars; outflows (-))

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing					
All countries	17,291	3,869	4,247	346	313	829	754	2,343	3,288	3,442	279	1,514	3,972
Canada	1,593	182	678	3	-7	348	109	232	95	-25	-55	387	354
Europe	8,538	3,189	3,943	319	196	211	684	1,714	867	1,424	258	894	294
European Communities (10)	8,810	2,856	2,642	18	189	28	617	1,722	761	1,354	248	682	275
Belgium and Luxembourg	43	(*)	25	(*)	(*)	-11	(*)	(*)	(*)	(*)	(*)	(*)	(*)
France	2,995	(*)	210	(*)	22	-15	82	169	178	(*)	(*)	(*)	84
Germany	1,596	(*)	1,636	(*)	1	4	295	732	227	(*)	(*)	9	163
Italy	-148	(*)	28	(*)	(*)	(*)	27	1	-201	16	(*)	0	-5
Netherlands	1,792	(*)	480	(*)	15	(*)	221	273	282	(*)	(*)	491	64
Denmark, Ireland, and Greece	44	(*)	27	(*)	(*)	(*)	25	8	8	(*)	(*)	(*)	(*)
United Kingdom	2,688	95	738	17	141	38	85	631	334	1,018	161	190	68
Other Europe	718	4	593	292	36	187	1	4	94	15	(*)	4	35
Sweden	-7	(*)	-30	(*)	11	(*)	(*)	(*)	-6	15	(*)	0	8
Switzerland	632	(*)	426	(*)	23	(*)	1	11	54	15	(*)	(*)	20
Other	193	(*)	186	(*)	1	82	(*)	(*)	50	43	(*)	(*)	-8
Japan	1,366	-68	291	36	26	6	224	189	1,236	404	(*)	(*)	28
Australia, New Zealand, and South Africa	277	23	154	1	-1	143	28	15	9	3	12	3	43
Latin America	881	(*)	157	-3	86	37	(*)	179	268	125	(*)	127	121
Latin American Republics	-5	(*)	61	-1	63	(*)	(*)	19	-135	(*)	(*)	24	6
Panama	4	(*)	59	(*)	(*)	(*)	(*)	(*)	-71	(*)	(*)	16	(*)
Other	-8	(*)	6	(*)	(*)	(*)	(*)	13	-68	88	(*)	(*)	(*)
Other Western Hemisphere	828	(*)	98	12	29	(*)	(*)	169	379	(*)	(*)	163	115
Middle East	3,919	7	5	8	8	1	0	4	-57	63	(*)	282	2,616
Israel	54	(*)	4	(*)	0	(*)	0	4	-8	(*)	(*)	(*)	(*)
Other	2,865	(*)	1	(*)	0	(*)	0	0	-65	(*)	(*)	(*)	(*)
Other Africa, Asia, and Pacific	75	(*)	-39	-1	1	-2	-3	-4	30	34	(*)	(*)	14
Memorandum:													
OPEC <sup>1</sup>	2,589	12	-6	-2	8	-1	-6	(*)	-81	9	0	(*)	(*)

\* Less than \$500,000 (±).

(\*) Suppressed to avoid disclosure of data of individual companies.

1. In 1981, Greece joined the European Communities; prior to 1981, data for Greece were included in "other Europe." In 1981, equity and intercompany account inflows from Greek parents were less than \$10 million.

2. See footnote 3, Table 2.

Table 13.—Reinvested Earnings of Incorporated Affiliates, 1980

(Millions of dollars)

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated materials	Machinery	Other manufacturing					
All countries.....	4,167	2,732	1,499	1,482	165	201	-138	-241	505	347	407	41	199
Canada.....	1,555	116	1,305	1,259	34	58	(*)	(*)	56	32	-2	22	35
Europe.....	3,271	2,255	17	78	72	132	14	-274	495	217	395	12	166
European Communities (9).....	3,234	2,234	42	88	70	135	16	-277	412	193	324	14	90
Belgium and Luxembourg.....	302	(*)	-51	(*)	(*)	(*)	(*)	5	0	(*)	0	(*)	1
France.....	144	(*)	85	(*)	0	(*)	1	-85	30	23	4	(*)	1
Germany.....	-75	(*)	-188	(*)	20	(*)	(*)	-193	43	2	(*)	(*)	1
Italy.....	11	(*)	2	(*)	(*)	(*)	(*)	(*)	1	(*)	(*)	(*)	1
Netherlands.....	2,159	1,661	(*)	(*)	27	(*)	184	(*)	122	(*)	(*)	(*)	70
Denmark and Ireland.....	-8	(*)	(*)	0	(*)	0	-2	(*)	1	(*)	0	(*)	1
United Kingdom.....	745	11	221	48	86	15	-6	79	203	79	193	8	20
Other Europe.....	52	20	-41	-5	3	-15	-24	3	-4	24	42	(*)	14
Sweden.....	78	(*)	5	(*)	(*)	(*)	7	(*)	13	(*)	(*)	(*)	(*)
Switzerland.....	-28	(*)	-47	(*)	7	(*)	(*)	(*)	15	(*)	(*)	(*)	6
Other.....	16	(*)	1	(*)	(*)	(*)	(*)	(*)	-1	9	(*)	(*)	6
Japan.....	639	(*)	9	(*)	(*)	(*)	16	-16	545	45	(*)	6	(*)
Australia, New Zealand, and South Africa.....	9	0	(*)	(*)	0	(*)	1	1	4	2	(*)	3	(*)
Latin America.....	679	(*)	115	8	79	4	(*)	(*)	-32	25	(*)	2	22
Latin American Republics.....	68	(*)	-23	-6	(*)	(*)	0	(*)	5	(*)	(*)	(*)	1
Panama.....	72	(*)	-14	(*)	(*)	4	0	(*)	9	(*)	(*)	(*)	6
Other.....	-9	(*)	-9	(*)	(*)	(*)	0	(*)	-16	0	(*)	(*)	1
Other Western Hemisphere.....	516	(*)	137	14	71	(*)	(*)	31	-35	(*)	(*)	2	17
Middle East.....	24	(*)	8	0	(*)	5	(*)	(*)	4	59	0	(*)	2
Israel.....	15	(*)	1	0	(*)	0	(*)	(*)	1	15	0	(*)	(*)
Other.....	9	(*)	5	0	0	5	(*)	0	3	4	0	(*)	(*)
Other Africa, Asia, and Pacific.....	-23	(*)	(*)	2	-2	0	(*)	(*)	-17	-3	(*)	-1	-1
Nonresidents.....	10	(*)	5	(*)	0	5	0	(*)	3	5	0	-2	-1
OPEC.....													

\* Less than \$500,000 (±).

\* Suppressed to avoid disclosure of individual companies.

1. See footnote 2, table 2.

Table 14.—Reinvested Earnings of Incorporated Affiliates, 1981

(Millions of dollars)

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated materials	Machinery	Other manufacturing					
All countries	4,095	2,388	-54	253	155	55	-295	-122	1,044	499	359	-26	26
Canada	63	55	-27	189	17	-13	-332	42	39	24	5	-16	35
Europe	2,875	1,994	-113	38	65	35	-112	-182	475	399	182	-23	68
European Communities (10)*	2,852	1,991	-90	64	66	55	-121	-177	492	272	189	-18	26
Belgium and Luxembourg	306	(*)	-73	(*)	(*)	(*)	(*)	(*)	14	1	0	(*)	(*)
France	-117	(*)	-7	4	10	35	-1	-55	1	26	(*)	(*)	1
Germany	86	(*)	-214	-2	45	3	-25	-172	203	(*)	(*)	(*)	1
Italy	-17	(*)	-25	(*)	(*)	1	-21	(*)	1	4	(*)	(*)	1
Netherlands	2,030	1,532	84	82	13	19	85	-40	10	37	63	-44	1
Denmark, Ireland, and Greece	4	(*)	-4	0	(*)	0	(*)	5	1	(*)	0	(*)	1
United Kingdom	678	4	147	21	74	28	-65	87	275	142	74	19	17
Other Europe	23	14	-23	46	26	129	3	15	-17	28	2	(*)	34
Sweden	41	11	2	(*)	25	(*)	16	3	20	2	(*)	(*)	1
Switzerland	-35	(*)	-22	(*)	(*)	(*)	13	19	-37	19	(*)	(*)	28
Other	17	(*)	-9	1	(*)	(*)	-4	-6	(*)	17	(*)	(*)	8
Japan	676	7	-15	-4	12	16	19	-62	693	46	(*)	(*)	33
Australia, New Zealand, and South Africa	6	0	1	-1	0	15	(*)	-14	5	4	0	1	-7
Latin America	468	(*)	176	32	38	3	(*)	75	-53	1	5	5	-7
Latin American Republics	62	(*)	-5	(*)	(*)	(*)	(*)	4	5	(*)	(*)	(*)	1
Panama	68	(*)	-7	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	1
Other	-6	(*)	-14	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	5
Other Western Hemisphere	404	(*)	182	37	41	(*)	(*)	73	-58	4	2	4	10
Middle East	14	(*)	-2	0	(*)	1	(*)	-3	6	22	0	(*)	22
Israel	21	(*)	-3	0	(*)	0	(*)	-3	2	24	0	(*)	(*)
Other	-8	(*)	1	0	0	1	(*)	0	4	9	0	(*)	(*)
Other Africa, Asia, and Pacific	-19	(*)	-3	-1	-1	0	0	(*)	-17	5	(*)	(*)	-2
Nonresidents	-5	(*)	1	(*)	0	1	0	(*)	31	0	(*)	(*)	(*)
OPEC	-6	(*)	1	(*)	0	1	0	(*)	31	11	0	(*)	(*)

\* Less than \$500,000 (±).

\* Suppressed to avoid disclosure of data of individual companies.

1. In 1981, Greece joined the European Communities; prior to 1981, data for Greece were included in "other Europe." In 1981, reinvested earnings of Greek-owned affiliates were \$4 million.

2. See footnote 2, table 2.

Table 15.—Income, 1980

(Millions of dollars)

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing					
All countries	9,470	3,487	2,390	1,649	387	269	-8	371	1,410	954	828	347	202
Canada	1,795	161	1,344	1,300	37	61	(*)	(*)	65	170	34	44	-33
Europe	5,787	2,873	687	163	178	148	139	87	887	512	699	188	603
European Communities (9)	5,459	2,800	680	163	148	160	139	87	765	512	674	188	603
Belgium and Luxembourg	304	(*)	-33	(*)	(*)	-5	(*)	(*)	11	(*)	(*)	(*)	1
France	284	(*)	168	(*)	60	(*)	(*)	(*)	41	18	(*)	(*)	-3
Germany	45	(*)	-89	(*)	60	(*)	9	(*)	50	-30	(*)	38	5
Italy	45	(*)	8	(*)	(*)	(*)	(*)	(*)	87	(*)	(*)	1	1
Netherlands	8,368	(*)	843	(*)	1	(*)	148	(*)	208	(*)	(*)	43	(*)
Denmark, Ireland, and Greece	3	1	1	0	(*)	0	(*)	(*)	1	(*)	(*)	0	1
United Kingdom	1,368	16	812	78	78	18	8	185	453	91	412	44	39
Other Europe	390	(*)	16	(*)	31	11	-10	(*)	91	119	135	(*)	(*)
Sweden	139	(*)	17	(*)	(*)	(*)	14	(*)	55	(*)	(*)	(*)	(*)
Switzerland	299	(*)	-2	(*)	83	(*)	24	(*)	39	(*)	(*)	(*)	(*)
Other	30	1	5	(*)	(*)	2	(*)	(*)	-4	23	(*)	(*)	(*)
Japan	722	(*)	48	(*)	12	(*)	24	-12	367	339	(*)	1	(*)
Australia, New Zealand, and South Africa	44	0	2	(*)	2	(*)	2	1	3	29	(*)	1	(*)
Latin America	1,624	(*)	328	13	118	(*)	(*)	(*)	1	154	(*)	(*)	28
Latin American Republics	152	(*)	-23	-6	(*)	(*)	(*)	(*)	1	(*)	(*)	(*)	(*)
Panama	74	(*)	-14	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Other	118	(*)	-9	(*)	(*)	4	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Other Western Hemisphere	331	(*)	343	19	118	(*)	(*)	(*)	2	(*)	(*)	(*)	(*)
Middle East	73	(*)	0	0	(*)	6	(*)	(*)	4	46	(*)	(*)	(*)
Israel	32	0	1	0	(*)	0	(*)	(*)	2	31	(*)	(*)	(*)
Other	41	(*)	5	0	(*)	5	(*)	(*)	2	15	(*)	(*)	(*)
Other Africa, Asia, and Pacific	54	(*)	(*)	2	-2	0	(*)	(*)	11	44	(*)	-1	-1
Memorandum:													
OPEC <sup>1</sup>	58	(*)	6	(*)	0	5	(*)	(*)	3	25	(*)	26	-1

<sup>1</sup> Less than \$500,000 (±).<sup>2</sup> Suppressed to avoid disclosure of individual companies. See footnote 2, table 2.

Table 16.—Income, 1981

(Millions of dollars)

	All industries	Petroleum	Manufacturing						Trade	Finance	Insurance	Real estate	Other
			Total	Food products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing					
All countries	7,687	3,407	1,812	372	264	252	-180	284	1,375	1,170	526	171	241
Canada	247	94	-31	192	26	-11	-524	45	54	171	-20	24	52
Europe	5,551	2,888	641	148	260	190	68	14	888	573	227	101	844
European Communities (10) <sup>1</sup>	5,132	2,856	642	171	267	167	44	-41	895	497	214	105	106
Belgium and Luxembourg	328	(*)	-73	(*)	(*)	-1	(*)	(*)	15	14	(*)	(*)	(*)
France	87	(*)	129	4	35	118	1	-20	22	43	(*)	2	-4
Germany	136	1	-210	-1	90	9	1	-240	226	(*)	(*)	13	18
Italy	18	(*)	-22	-2	(*)	-1	(*)	(*)	1	39	(*)	1	2
Netherlands	8,346	2,628	337	185	17	-1	151	61	110	129	58	31	88
Denmark, Ireland, and Greece	9	1	-2	0	(*)	0	(*)	5	5	(*)	(*)	(*)	(*)
United Kingdom	1,198	-37	384	65	128	48	-5	154	617	173	68	68	40
Other Europe	429	31	93	-24	43	23	24	37	93	186	13	-4	38
Sweden	93	18	16	(*)	1	7	28	3	55	4	(*)	(*)	(*)
Switzerland	288	17	34	-24	62	28	8	30	119	14	1	-5	30
Other	48	1	-8	1	(*)	1	-4	-6	(*)	44	1	2	8
Japan	769	3	39	(*)	28	21	28	-45	529	197	20	8	52
Australia, New Zealand, and South Africa	48	0	4	-1	3	15	(*)	-34	9	33	2	1	-3
Latin America	1,812	422	422	34	85	34	34	239	14	186	64	7	15
Latin American Republics	189	(*)	-2	-5	1	(*)	(*)	4	(*)	(*)	(*)	(*)	(*)
Panama	78	(*)	7	(*)	1	(*)	(*)	(*)	2	(*)	(*)	(*)	(*)
Other	116	(*)	-10	-5	(*)	-2	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Other Western Hemisphere	328	422	435	39	88	(*)	(*)	235	-14	(*)	(*)	(*)	(*)
Middle East	76	(*)	-1	0	(*)	2	(*)	-3	6	86	(*)	(*)	(*)
Israel	49	0	-3	0	(*)	0	(*)	-8	2	52	(*)	(*)	(*)
Other	26	(*)	2	0	(*)	2	(*)	0	4	13	(*)	(*)	(*)
Other Africa, Asia, and Pacific	96	(*)	-3	-1	-1	0	(*)	-1	19	85	(*)	1	(*)
Memorandum:													
OPEC <sup>2</sup>	46	(*)	2	(*)	0	2	(*)	(*)	4	32	(*)	(*)	(*)

<sup>1</sup> Less than \$500,000 (±).<sup>2</sup> Suppressed to avoid disclosure of data of individual companies.

1. In 1981, Greece joined the European Communities; prior to 1981, data for Greece were included in "other Europe." In 1981, income of Greek-owned affiliates was \$4 million.

2. See footnote 2, table 2.

large capital gain realized in 1980 by the previously mentioned Canadian-owned U.S. affiliate in food products that sold its petroleum subsidiary. Before capital gains and losses, income from manufacturing affiliates declined slightly. Most of the decline was in machinery, where affiliates had net losses of \$0.2 billion. A small decline in "other manufacturing" occurred primarily because motor vehicle manufacturing affiliates had larger operating losses in 1981 than in 1980.

Income from insurance affiliates declined \$0.6 billion, to \$0.2 billion. The decline was more than accounted for by a shift from capital gains of \$0.5 billion in 1980 to capital losses of \$0.3 billion in 1981. The shift primarily reflected decreases in the market value of stock and bond portfolios of Canadian- and British-owned insurance affiliates.

Income from petroleum affiliates, at \$3.4 billion, was down slightly. Income from trade affiliates increased

\$0.2 billion, to \$1.6 billion; contributing to the increase were improved earnings of several auto importing affiliates with parents in Germany, the United Kingdom, and Japan. Income from finance affiliates increased \$0.2 billion, to \$1.2 billion; nearly one-half of the increase was from affiliates of British parents.

The rate of return on the direct investment position—income divided by the average of the beginning- and end-of-year positions—declined sharply, from 15.4 percent to 9.8 percent. The decline reflected both the decline in income and strong growth in the average position. Rates of return in all major industries declined; declines were sharpest for the industries—food manufacturing and insurance—that had large negative shifts in capital gains and losses from 1980 to 1981.

### Fees and Royalties

Net payments of fees and royalties by U.S. affiliates declined \$0.1 billion, to \$0.4 billion (table 8). Fees and roy-

alties consist of net payments by U.S. affiliates to their foreign parents for the sale or use of intangible property, such as patents, industrial processes, trademarks, and copyrights; service charges; charges for the rental of tangible property; and film and television tape rentals.

The decline in fees and royalties was more than accounted for by a \$0.1 billion decline in net payments in manufacturing and a \$0.2 billion increase in net receipts in trade. The former was concentrated in chemicals and "other manufacturing," especially automobile manufacturing. The latter was largely the result of an increase in service fees received by an affiliate from its parent in the Middle East. Partly offsetting were increases in payments of \$0.1 billion each in insurance (largely attributable to Canadian-owned affiliates) and "other industries" (attributed to a large payment to a British parent for rental of television tapes).